

# TAPPING RURAL EQUITY or Can Farmers Save Rural America?

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The best way to predict  
the future is to invent it.

*Alan Kay*

# Topline on Rural America and Capital

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- Rural America needs investment capital
- Farmers work on top of a lot of wealth
- Now is the time to..
  - understand farmer motivation
  - build on existing models
  - enhance current tools
  - make a commitment to collaborate

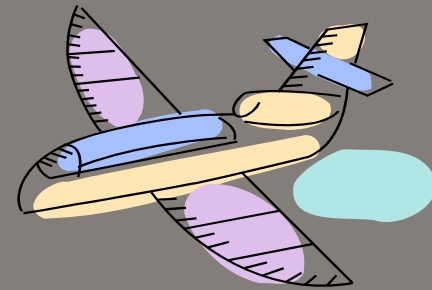
# Rural Communities Still Struggle

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- ◉ Economic and quality of life issues
- ◉ Need capital for job creation, infrastructure, facilities ...
- ◉ Renewable energy opportunity

*but*

- ◉ Access to equity capital is limited:
  - Wealth below urban levels
  - Limited liquidity
  - VC fly-over zone



# Rural Wealth is in the Land

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- Homes/Land equal 76% of a region's wealth
- U.S. ag equity is over \$2.0 trillion
- 90% of ag equity is real estate

*What could even 10% of \$1.8 trillion  
do for rural America?*

Source: USDA 2007 Estimates

# Land Rich & Cash Poor

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- Average farmer is 55.3 years old

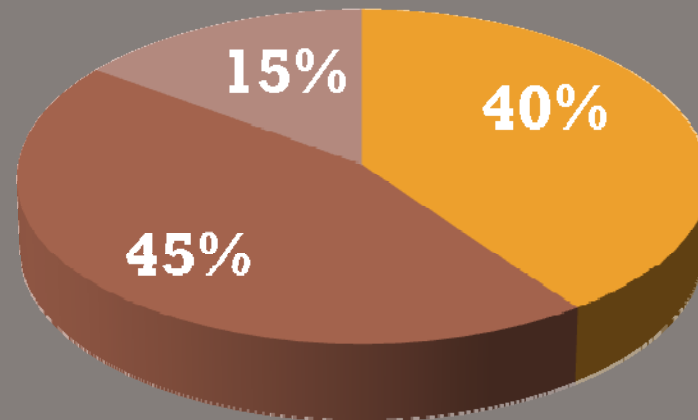
Source: USDA, 2002

- 54% do not have a formal retirement plan

Source: Succ. Farm.

## S / T Plan

Source: AgStar Survey



- In Place
- Next 3 Years
- Someday

# Time to Act is Now

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- Transfer of Baby Boomer Wealth
- Ag & Energy Profitability





# Today's Toolbox for Liquidity

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- ◉ Land sale / contract for deed
- ◉ Sale / transfer to next generation
- ◉ Charitable trust
- ◉ RE revolving line of credit





# Approaches to Rural Investments

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- Nebraska Community Foundation, via Hometown Competitive Collaboration:
  - Strategies for working w/ community leaders
  - Capture 5% of area wealth as gifts to invest
- Community Development Venture Capital Funds (CDVC's)
- RAIN Source Capital Funds  
(AgStar has invested in 3 of these)

# AgStar Lights One Candle

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- Rural Finance unit formed in 2007
- Buy bonds as mission-related investments
- Focused on:
  - Health care facilities
  - Manufacturing / rural businesses
  - Multi-unit housing
- Work closely with all parties involved
- Establishing network of community banks



# Put Your Farmer Hat On

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- ◉ Taxes are worse than death
- ◉ Need to provide for my spouse / kids
- ◉ Never enough analysis or information
- ◉ Trust is a must
- ◉ Rely on 'inner circle' of advisers
- ◉ Diversification is not a necessity

# Legacy as a Lever

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- ◉ Family really matters
- ◉ Respect and love for the land
- ◉ Proud of rural roots and values
- ◉ Desire to give back to:
  - Community
  - Church
  - Beginning farmers
  - Land preservation

# Missing Ingredients

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- Tax-advantaged means of tapping equity
- Means or process to set up for retirement, family, and 'giving back'
- Investment ventures / groups that:
  - Align with farmer values
  - Focus on rural areas
  - Farmers know and trust

# Time to Bury the

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- Non-traditional partners need to collaborate and build alliances:
  - Farm Credit
  - Community Banks
  - Economic Development
  - County/State/Federal Government
  - Education
  - Non-profits





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those who have the will.

*Dutch Poet's Society*

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Thank you for this  
opportunity!

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